Scottish Government
Riaghaltas na h-Alba
gov.scot

Directorate for Internal Audit and Assurance

Annual Assurance Report

Social Security Scotland 2021-22

Directorate for Internal Audit and Assurance

Issue Date: 9-05-2022

Audit Personnel

Senior Internal Audit Manager:	[Redacted]
Internal Audit Manager:	[Redacted]

Report Distribution

Chief Executive (Accountable Officer)	Draft presented, discussed and agreed on 12/05/2022.
Audit and Assurance Committee	For information and comment on 17/05/2022

Contents

1. Annual Assurance Opinion 2021-22 4

2. Introduction 5

3. Audit Activities 6

Annex A – Overarching Assurance Landscape 11

Annex B – Definition of Assurance Categories 15

1. Annual Assurance Opinion 2021-22

1.1. Our overall assurance opinion for last year is Reasonable.

Please see Annex B for definition of all Assurance Categories.

Reasonable Assurance Controls are adequate but require improvement.	Some improvements are required to enhance the adequacy and effectiveness of procedures. There are weaknesses in the risk, governance and / or control procedures in place but not of a significant nature.

1.2. Social Security Scotland has continued to demonstrate a strong positive culture, led by Senior Management and emulated by officers across the organisation.

1.3. During 2021-22 we undertook 16 Assurance Reviews, 17 follow up audits and various pieces of advisory work. From this work we identified a lot of good practice and also evidenced clear progress being made in improving systems and arrangements for governance, risk management and internal controls. Internal Audit's relationship with Social Security Scotland has continued to remain strong. We continue to see a positive approach to accepting and implementing our recommendations for improvement and staff throughout Social Security Scotland actively engage with Internal Audit and other assurance providers. Whilst the organisation has continued to grow at pace, Social Security Scotland has continued to deliver existing benefits, bring in new staff and launch new benefits during the difficult year.

1.4. We have provided four limited assurance opinions during the year, with these reviews highlighting some areas of concern with regards to policy and guidance, system development and capabilities and management information. In order to maintain a reasonable assurance rating in the future it is essential that the positive approach to development of risk, control and governance arrangements continues throughout the organisation. With the continued rollout of disability benefits and the next phase of Scottish Child Payment in the forthcoming year it is essential that work continues to develop SPM, the main system utilised for the administration of Social Security Scotland's benefits, in order to allow the effective delivery of higher value recurring benefit payments and minimise the risk of fraud or error occurring. The landscape of a complex, ambitious programme of delivery makes it difficult to deliver the needed

improvements quickly and ability to action is limited and not solely within the gift of Social Security Scotland. Some recent issues in relation to system updates impacting existing benefits have been highlighted to Internal Audit and our review of SPM highlighted the need to strengthen controls in the management of defects inherited from system development, technical debt and system changes to ensure SPM is effectively managed and improved over time and meets the needs of Social Security Scotland.

2. Introduction

2.1. This report summarises Directorate for Internal Audit and Assurance (DIAA) work during the year and provides an overall assurance opinion on Social Security Scotland's risk management, control and governance arrangements in place. It's primary aim is to provide the Accountable Officer and the Audit and Assurance Committee with our professional opinion. External Audit colleagues may also take this opinion and the content of this report into consideration when carrying out their work. Also, this report will help form the basis of a general report on our work which will be considered, in due course, by the Scottish Government Audit and Assurance Committee (SGAAC).

2.2. Our work carried out over the past year has been undertaken in accordance with UK Public Sector Internal Audit Standards (PSIAS), the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and with the standards set out in the Scottish Public Finance Manual (SPFM). These standards require us to provide an objective opinion supported by sufficient, reliable and relevant evidence. We ensure this through the established IA client team's roles and responsibilities; i.e. Lead Senior Internal Audit Manager and Internal Audit Manager, who are appropriately qualified and experienced to carry out the work.

2.3. To determine the overall assurance opinion we take a number of factors into account, not solely the audit activities undertaken throughout the year (see Table 1 for more detail on this) but also the overarching assurance landscape. This includes any work undertaken in relation to shared services by other DIAA Internal Audit Teams.

2.4. Reports and outputs have also been agreed by Senior Management and presented to the Audit and Assurance Committee throughout the year.

2.5. In order to develop an integrated approach to our assurance, relevant final outputs from Internal Audit, the Digital Assurance Office and Portfolio, Programme and Project Assurance have been shared between our assurance teams.

3. Audit Activities

3.1. The below table sets out the delivery and outcomes of relevant activities carried out over the past year.

3.2. Table 1: Audit Activities 2021-22

Category	Title	Outcomes
Assurance Review	Internal Control	Reasonable
Assurance Review	Client Services Delivery Compliance	Reasonable
Assurance Review	Disability and Carer's Benefits Readiness	Emerging Reasonable
Assurance Review	Covid-19 Recovery	Substantial
Assurance Review	Chief Digital Office (CDO) Transition into Social Security Scotland	Reasonable
Assurance Review	Residency	Reasonable
Assurance Review	Equalities and Diversity	Reasonable
Assurance Review	Client Experience	Reasonable
Assurance Review	Scottish Child Payment In-depth Review	Reasonable
Assurance Review	Recruitment	Reasonable
Assurance Review	Social Security - Budget Setting	Reasonable
Assurance Review	Learning and Development	Substantial
Assurance Review	SPM - Technical Debt	Emerging Limited

Assurance Review	Productivity and Efficiency	Emerging Limited
Assurance Review	Child Disability Payment In-depth review	Limited
Assurance Review	Workforce Planning	Emerging Limited
Advisory Review	Formal Agreements	The Formal Agreements Team transitioned from Social Security Directorate into Social Security Scotland in December 2021. This piece of advisory consisted of a review and provision of advice in relation to the development of processes and controls to manage the risk surrounding Social Security Scotland's management of Formal Agreements
Advisory Review	Payment Correction cases	We undertook a number of interviews with key stakeholders involved in developing, processing or managing changes and payment corrections. We also sampled, in detail, 10 live examples and reviewed current guidance and training available to provide comment on the effectiveness of the controls in place.
Advisory Review	Strategic Culture	We concluded our advisory work in relation to Strategic Culture reporting to Agency Leadership Team and Executive Team on the outcome of the focus groups and analysis of the People survey and sharing some suggestions for improvements and focus over the coming years.
Advisory Review	Strategic Culture	We shared output from our review detailing the work undertaken, the feedback we obtained through our focus groups and discussions and listing some suggestions for future consideration. Our Overall Culture Assessment: • Good foundations are in place, despite the organisation continuing to grow at pace, developing processes, as well as new ways of working as a result of the pandemic and home working. • As a maturing organisation, Social Security Scotland has a solid foundation of values to build upon, which are embedded across the organisation. • The organisation however faces challenges in maintaining a positive culture as it continues to grow rapidly and barriers may dilute culture over time.

		• There is a need to ensure management safeguard the good practice established and prioritise and continue to review and improve risks/issues identified in relation to culture from various streams of work.
Advisory Review	Governance	Ongoing engagement with the governance team as structure reforms were progressed.
Advisory Review	Decision Support Team Processes	Providing advice to colleagues as methodologies and processes for the Decision Support Team were developed.
Advisory Review	Clinical Division Recruitment	Discussions regarding lessons learned following their recruitment campaign.
Advisory Review	Quality Assurance Framework	Work is ongoing in both Social Security Scotland and Programme in relation to Quality Assurance Framework. Internal Audit are providing ongoing advisory support as and when requested.
Advisory Review	Corporate Assurance Team	Provision of support and information to new members of the Social Security Scotland Corporate Assurance Team
Advisory Review	Audit is your friend sessions	Participation in sessions in October and November to advise on the role of Internal Audit and the processes we undertaken in order to raise awareness and enable the continuation of good working relations with colleagues involved in Internal Audits during the year.
Advisory Review	Business Owner Branch Development	Social Security Scotland are progressing with a Business Owner Branch Proof of Concept and Internal Audit are providing advisory support as requested.
Advisory Review	Data Protection Assurance	Social Security Scotland are establishing a Data Protection Assurance Process. Internal Audit reviewed initial documentation and the pilot assessment and provided feedback on the processes being established, making suggestions for improvement for managements consideration.
Advisory Review	Governance Advocacy	Social Security Scotland are developing arrangements for Governance Advocacy. Initial discussions have been held, however no input is required from Internal Audit at this stage. This will be kept under review as work progresses.
Advisory Review	Sensitive Cases Processes Quality Review	Work is being undertaken to develop processes and controls in relation to the management and administration of sensitive cases in SPM. Internal Audit provided Quality Review feedback to the initial options appraisal and will continue to

		provide advisory support as this piece of work progresses.
Follow Up	Reporting and Assurance Functions: Roles and Responsibilities	4 High recommendations: 3 Fully Implemented 1 Partially Implemented
Follow Up	2019/20 Review of Operations Compliance	5 High and 1 Medium recommendations: 2 Fully Implemented 2 Partially Implemented 2 Not Implemented
Follow Up	Change Management	2 Medium recommendations: 2 Partially Implemented
Follow Up	Resilience Business Continuity Planning	3 High and 5 Medium recommendations: 4 Fully Implemented 4 Partially Implemented
Follow Up	Budgets, Expenditure Monitoring and Reporting	3 Medium recommendations: 1 Fully Implemented 2 Not Implemented
Follow Up	In-depth Review - Young Carers Grant (YCG)	1 High, 1 Medium and 1 Low recommendations: 2 Fully Implemented 1 Partially Implemented
Follow Up	In-depth Review - Funeral Support Payment (FSP)	2 Medium and 2 Low recommendations: 2 Fully Implemented 1 Partially Implemented 1 Superseded
Follow Up	In-depth Review - Best Start Grant (BSG)	3 High, 3 Medium and 1 Low recommendations: 6 Fully Implemented 1 Partially Implemented
Follow Up	Programme Links	1 High and 2 Medium recommendations: 2 Partially Implemented 1 Not Implemented
Follow Up	In-depth Review - Job Start Payment	1 High and 1 Medium recommendations: 1 Fully Implemented 1 Partially Implemented
Follow Up	Information Management	1 High and 2 Medium recommendations: 3 Partially Implemented
Follow Up	Operations: Policy, Guidance and Controls 2020-2021	4 Medium recommendations: 4 Fully Implemented

Follow Up	Child Winter Heating Allowance	2 High and 1 Medium recommendations: 2 Fully Implemented 1 Superseded
Follow Up	Scottish Child Payment - Application Process	3 High and 2 Medium recommendations: 3 Fully Implemented 2 Partially Implemented
Follow Up	Debt Management	1 High and 3 Medium recommendations: 2 Fully Implemented 2 Partially Implemented
Follow Up	Key Financial Systems	2 Medium recommendations: 2 Fully Implemented
Follow Up	Covid-19 Recovery	1 High recommendation: 1 Fully Implemented

Annex A – Overarching Assurance Landscape

Landscape Key Categories	Examples of Evidence taken into consideration
Nature of Internal Audit work completed	• Table 1 provides detail on the 16 Assurance Audits, 17 Follow ups and various advisory reviews undertaken during the year. • The planned audit considering Social Security Scotland's transition into DG Communities was not undertaken as it was thought this would be included in any Core Scottish Government reviews undertaken which considered the new DG structures.
Governance, Risk and Compliance	• Social Security Scotland have continued to implement changes to the internal governance arrangements. This has included changes to the membership of the Agency Leadership Team and the formation of forums / committees below this. • The organisations approach to risk management continues to mature. Work is ongoing to review the risk management

	strategy and implement the recommendations provided through the EY consultancy the previous year. Evidence demonstrates ongoing discussion of risk at all levels of the organisation and consideration of risk as part of planning and decision making. • The Executive Advisory Body and Audit and Assurance Committee have continued to operate and mature. There has been some change in members over the past year, with some terms coming to an end and new members being appointed.
External factors	• Social Security Scotland has continued to grow and mature whilst also readying itself to deliver new Disability and Carer's benefits throughout the year. • Social Security Scotland operates in an environment in which there are many dependencies on external parties such as the Scottish Government Shared Services, Social Security Directorate, Scottish Government Policy and Legal colleagues and the Department for Work and Pensions. Many of the risk identified throughout our work have been linked to these dependencies and how they impact Social Security Scotland. We note in our work that Social Security Scotland do not always have autonomy to mitigate risks themselves and where this is the case we recommend the organisation continues to build and work with these other parties in order to minimise the risk that is posed to Social Security Scotland. • Social Security Scotland's approach to delivery has continued to be altered due to the majority of staff working from home over the past year. Despite this the organisation has continued to deliver, launch new benefits and recruit and on-board new staff throughout.
Other Assurance	• We have liaised regularly with colleagues in Audit Scotland who provide the External Audit service. We have also shared the output of all our assurance work.

	• Gateway Reviews and work undertaken by the Digital Assurance Office still continue to primarily focus on Social Security Directorate, but Social Security Scotland has participated where appropriate and some Social Security Scotland specific reviews were also undertaken. • The Portfolio, Programme and Project Assurance Division did complete a Gateway Review 1 on the Social Security Scotland "Our Ways of Working" project. The review took place from 5 – 7 October 2021, with the final report being issued on the 20th October. The project was rated as Amber. • The Digital Assurance Office did undertake an assessment of the Volume Recruitment Project which considered the alignment of the project's delivery practices to the principles of the Digital Scotland Service Standard at the Test and Go Live Stage.
Stakeholder Engagement	• Internal Audit continue to have positive engagement with the colleagues across Social Security Scotland. This includes engagement on specific assurance work as well as advisory and ad hoc discussions. • Regular engagement is undertaken by Internal Audit with various teams including Client Services Delivery, Fraud and Error Resolution Unit, Corporate Assurance, Governance, etc. • Internal Audit output including our reports, findings and recommendations are always received positively by management with recommendations accepted and clear plans on how they will be implemented detailed in the responses. • Strong leadership and positive culture has been established by the Executive Team and Agency Leadership Team. This is being maintained as the organisation continues to grow at pace and move to hybrid ways of working. It is also clearly highlighted as a key focus of senior management with a clear desire to live by the values of the organisation.

	• Strong working relations remain between Social Security Scotland and the Programme.
Control Environment	Through our ongoing assurance work with Social Security Scotland we have highlighted a number of risks in relation to controls and the systems in place. Social Security Scotland is acutely aware of the weaknesses in relation to Internal Controls and the need for these to be understood and strengthened where appropriate. The organisation is in the process of establishing a new team focussed on Internal Controls and Internal Audit have held early discussions and plan to support this development through advisory work. The Fraud and Error Resolution Unit also have teams established who have a focus on internal controls. These teams are working closely with colleagues in both Social Security Scotland and Social Security Directorate to highlight areas of weakness and work with these colleagues to strengthen the systems and internal controls in place. As a more mature organisation with more expertise in place Social Security Scotland has demonstrated that whilst weaknesses exist they are keen to be proactive to minimise the risks these weaknesses pose to their control environment. There were no instances of External Fraud highlighted to us during the year. One instance of Internal Fraud has been notified to us by the Fraud and Error Unit.

Annex B – Definition of Assurance Categories

Substantial Assurance Controls are robust and well managed	Risk, governance and control procedures are effective in supporting the delivery of any related objectives. Any exposure to potential weakness is low and the materiality of any consequent risk is negligible.
Reasonable Assurance Controls are adequate but require improvement	Some improvements are required to enhance the adequacy and effectiveness of procedures. There are weaknesses in the risk, governance and/or control procedures in place but not of a significant nature
Limited Assurance Controls are developing but weak	There are weaknesses in the current risk, governance and/or control procedures that either do, or could, affect the delivery of any related objectives. Exposure to the weaknesses identified is moderate and being mitigated.
Insufficient Assurance Controls are not acceptable and have notable weaknesses	There are significant weaknesses in the current risk, governance and/or control procedures, to the extent that the delivery of objectives is at risk. Exposure to the weaknesses identified is sizeable and requires urgent mitigating action.